

TO: Interested Parties  
FROM: COIN Program  
RE: Potential Elements of a Community Development Investment Policy Statement  
DATE: 2/28/2011

Recently enacted California legislation (Assembly Bill 41 of 2010, by Assemblymember Jose Solorio, Chair of the Assembly Insurance Committee) requires each admitted insurer in California that writes California premiums of \$100,000,000 or more to develop and file with the Insurance Commissioner a Policy Statement on Community Development Investments and Community Development Infrastructure Investments by July 1, 2011.

With the passage of Assembly Bill 41, Section 926.3 of the Insurance Code reads (emphasis added):

926.3. (a) It is the policy of the State of California that (1) insurers should, where practicable, be supportive of community development investments and community development infrastructure investments, and **insurers should be encouraged to invest in prudent community development investments and community development infrastructure investments that benefit California and California's low- and moderate-income communities;** (2) every admitted insurer that writes a substantial amount of insurance in the state should consider community development investments and community development infrastructure investments; and (3) the California Organized Investment Network is a part of the department, and has the responsibility to pursue active measures to encourage community development investing by admitted insurers.

(b) Each insurer admitted in California that writes premium in California equal to or in excess of one hundred million dollars (\$100,000,000) annually shall develop, and file with the commissioner no later than July 1, 2011, **a policy statement on community development investments and community development infrastructure investments that expresses the insurer's goals for these investments during the current and following calendar year.** Thereafter, each insurer subject to this subdivision shall biennially review its policy statement on community development investments and community development infrastructure investments and, if the insurer revises or changes its policy statement, submit the new policy statement to the commissioner no later than July 1 of each odd-numbered year. The initial policy statement filed with the commissioner shall satisfy the requirement of this subdivision if the insurer's policy statement has not changed. These filings shall be public information. **For purposes of this subdivision, "policy statement" means a statement of principle intended to influence a decision or action. The policy statement may include general goals or specific investment goals, but is not required to contain specific investment goals or thresholds.** (c) The commissioner shall establish a link on the department's Internet Web site that provides public access to the contents of each insurer's policy statement and the data on community development investments and community development infrastructure investments provided by each insurer pursuant to subdivision (b).

A 2007 survey by the Department of Insurance found that only 11% of responding insurers had adopted a Policy Statement regarding Community Development Investments.

In response to requests from admitted insurers for guidance, COIN staff has reviewed responses to the 2007 voluntary survey and suggests that insurance companies that are developing or revising their Community Development Investment Policy Statements may want to consider the following elements.

## **Potential Elements of a Policy Statement on Community Development Investments and Community Development Infrastructure Investments**

### **A Statement of Principles**

- A statement of principles intended to influence how investment decisions are made at a company.

### **Goals**

- What are the company's goals for community development investments?
- Either general goals or specific investment goals (but there is no requirement that the policy statement contain specific investment goals or thresholds).

### **Outcomes for the company and the community**

- A company may wish to note if community investments would be used to position the company as a leader within certain communities, or to expand the scope of business activity in certain communities, or to advance the company's business objectives.
- A company may describe the types of outcomes the community could expect from the company's investments.

### **Investment Criteria**

- A company may wish to describe the type of community investments the company might consider.
- A company may indicate where they would invest, such as geographic areas or low-to-moderate income census tracts.
- A company may identify the types, or names, of organizations it would partner with, such as reputable non-profit or community based organizations, those with a successful history of completing projects, those with economic or social ties to the community in which the investment will be made, or community investment consortia such as Impact Community Capital.
- A company may specify the expected return on community investments (market rate or some hurdle rate), typical term of investment, minimum amount per investment, or any due diligence or liquidity requirements.

## **California Organized Investment Network (COIN)**

- A company may indicate whether community development investments in California must be COIN-qualified investments, or if COIN-qualified investments serve as a benchmark.

## **Decision-Making Process**

- A company may wish to describe the process by which decisions about community investments are made.
- A company may wish to describe how interested parties may apply for investment consideration.
- A company may wish to identify key decision makers (e.g., departments, reviewer, any investment committee, etc.).

For more information, please call (916) 492-3525 or visit <http://www.insurance.ca.gov/coin>.